

TOWN OF LADYSMITH POLICIES AND PROCEDURE MANUAL

TOPIC:	PURCHASING POLICY		
APPROVED BY:	Council	ORIGINAL DATE:	March 5, 2001
		CURRENT AMENDMENT DATE:	September 15, 2020
RESOLUTION #:	CS-2020-272		
<i>Amended: March 26, 2001 & Oct. 30, 2001, Jan 2002, January 2007, April 8, 2013 (replaces Jan 2007 version in its entirety), Sept 18, 2017</i>			

POLICY STATEMENT

Effective procurement is a critical support function for the Town of Ladysmith to responsibly manage the public funds placed in their trust. The procurement system must be responsive, cost effective, socially responsible and as open as possible to public scrutiny.

GUIDING PRINCIPLES

The Town's Procurement Policy is guided by the following principles which set the standard for performance:

1. Procure the goods and services requirements of all departments in an efficient, timely and cost effective manner while maintaining the necessary controls;
2. Engage in an open bidding process wherever practical;
3. Ensure maximum value is obtained during the acquisition of goods and services. The concept of maximum value includes the value derived from social impacts (See Appendix B for desired Community Benefit Goals). Where applicable, the total cost of the goods and services purchased should be taken into account. Total cost may include but not be limited to acquisition cost, disposal cost, residual value, training cost, maintenance cost, product performance, social impact and environmental impact;
4. Take into account wherever practical the commitment to social responsibility, protection of the environment, and energy conservation;
5. Ensure the acquisition of goods and services meets the requirements of applicable legislation and trade agreements, including the New West Partnership Trade Agreement, and the Agreement on Internal Trade; and
6. Ensure that maximum value is realized when disposing of surplus goods, materials and equipment.

In addition to the principles outlined above, Town employees will demonstrate ethical purchasing behavior including:

1. Declaration of Interest - An employee who has a direct or indirect pecuniary interest with a supplier must disclose this relationship to his or her superior, and will be excluded from the quote or tender process;
2. Confidentiality and Accuracy of Information - The confidentiality of information received in the course of duty must be respected and should not be used for personal gain; information given in the course of duty should be true and fair and not designed to mislead;
3. Competition - While considering the advantages of the Town of Ladysmith maintaining a continuing relationship

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with a supplier, any arrangement which might prevent the effective operation of fair competition should be avoided;

4. Business Gifts and Hospitality - To preserve the image and integrity of the employee, the employer and the profession, business gifts other than items of small intrinsic value should not be accepted. Reasonable hospitality is an accepted courtesy of a business relationship. The frequency and nature of gifts or hospitality accepted should not be such that the recipient might be or might reasonably be perceived by others to have been influenced in making a business decision as a consequence of accepting such hospitality or gifts. All gifts should be reported to the City Manager; and,
5. Discrimination and Harassment - No employee shall knowingly participate in acts of discrimination or harassment towards any person that he or she has business relations with.

PROCUREMENT PROCESS:

OVERVIEW

Procurement is the process by which a government acquires goods, services and capital works for its own use. This policy is designed to assist Town staff in meeting the Town's procurement objectives and to protect the Town and its staff against potential litigation and perceived or actual conflicts of interest. The essential elements of the Town's Procurement Policy are outlined below.

AUTHORITY

All staff members undertaking procurement actions must have formal authorization to do so. As outlined in section 149 of the Community Charter, the responsibility for the financial administration of the Municipality resides with the Chief Financial Officer (CFO). These duties include:

- a. receiving all money paid to the municipality;
- b. ensuring the keeping of all funds and securities of the municipality;
- c. investing municipal funds, until required, in authorized investments;
- d. expending municipal money in the manner authorized by the council;
- e. ensuring that accurate records and full accounts of the financial affairs of the municipality are prepared, maintained and kept safe; and
- f. exercising control and supervision over all other financial affairs of the municipality.

Authorization for expenditures is set out in the *Community Charter* Part 6, Division 3, s.173:

- (1) A municipality must not make an expenditure other than one authorized under subsection (2) or (3).
- (2) A municipality may make an expenditure that is included for that year in its financial plan, so long as the expenditure is not expressly prohibited under this or another Act.
- (3) A municipality may make an expenditure for an emergency that was not contemplated for that year in its financial plan, so long as the expenditure is not expressly prohibited under this or another Act.

- (4) The following apply in relation to the authority under subsection (3):
- (a) the council must establish procedures to
 - (i) authorize expenditures under that subsection, and
 - (ii) provide for such expenditures to be reported to the council at a regular meeting;
 - (b) if an expenditure is made under that subsection, as soon as practicable, the council must amend the financial plan to include the expenditure and the funding source for the expenditure;
 - (c) the authority under that subsection does not include the authority to borrow for the purpose of making the expenditure.

Through this Policy, the Director of Financial Services (CFO) authorizes staff to perform and oversee the established processes of the Procurement Policy.

PROCESS:

COMPETITIVE BIDDING

The Town will utilize a competitive bidding process to secure goods and services wherever practical to obtain maximum value for its purchasing dollars.

The level of competition required for Town purposes is based on the dollar value and nature of the purchase ensuring the cost associated with administering a competitive process is proportionate to the benefit received as a result of the competition.

Purchases valued at less than \$5,000 may use the informal methods of verbal or written quotations.

Purchases valued between \$5,000 and \$75,000 must have a minimum of three (3) written quotations.

Purchases of goods and services with a value over \$75,000 must utilize a competitive process, which may be either a Request for Quotations, Request for Proposals, or Request for Tenders. These opportunities are given public notification by way of the internet, advertised on the Town website and on provincial government BC Bid website.

Under certain circumstances, at the discretion of the Director of Financial Services (CFO) together with the City Manager, select bidding may be utilized. Select bidding may be utilized for goods and service if delivery or project deadlines dictate that time is of the essence, or where extraordinary circumstances or market conditions exist. Bid documents would be sent to a minimum of three known suppliers of the required goods or services, thereby ensuring a competitive bid process.

The use of select bidding for projects valued at over \$75,000 will require the further approval of the Council.

SOLE SOURCING

The requirement for a competitive process may be waived, if negotiating with a single supplier would offer better value. Examples of sole source items includes:

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- technological advancement;
- standardization;
- compatibility with another item;
- clearly superior product;
- expertise in a specific area or field that cannot be matched by others;
- warranty requirements.

Negotiations for such items will only be permitted:

- in extraordinary circumstances or market conditions;
- if there is only one supplier for the product or service;
- in Emergency situations.

All sole source purchases over \$75,000 require approval of the Council, following a Staff Report to Council from the originating department.

CO-OPERATIVE PURCHASING

Wherever possible, the Town will participate in cooperative purchasing to afford the taxpayers the benefits of both large volume purchases of common municipal requirements and the administrative efficiency in cooperative acquisition ventures.

DISPOSAL OF TOWN ASSETS

Disposal of obsolete or surplus goods, materials and equipment which are not used as trade-ins and RCMP recovered goods shall be through public auction or by way of publicly solicited offers.

Generally, Town employees, through public auction or sealed public bids may purchase Town assets or RCMP recovered goods. Those employees not eligible to purchase surplus assets shall be those employees responsible for declaring those assets surplus to the Town's needs or requirements.

The CFO shall make all final decisions with regard to the disposal of assets.

PURCHASING CARDS

Purchasing Cards are designed to provide a convenient and less burdensome method of procuring and paying for low value goods and services. The cards simplify the procurement process, reduce paperwork, speed up vendor payments and empower department heads and administrators to quickly and easily acquire the goods and services they need to manage their business units. The use of purchasing cards requires compliance with this policy.

The Purchasing Card is designed to replace a variety of payment processes including petty cash and low-value cheque requisitions.

PROHIBITIONS/ RESTRICTIONS

In order to ensure adherence to Purchasing policies, certain activities are prohibited:

- Procurement of goods or services prior to authorization.
- Procurement of goods and services by non-authorized staff, other than the use of purchasing cards, unless so permitted under the Purchasing Policy.
- The division of a single purchase into multiple increments to circumvent policies or levels of authority.
- Purchases of goods or services from any member of Council, appointed officers, employees of the Town or from any other source that would result in a conflict of interest situation.
- The purchase of any surplus goods, materials, or equipment by an employee of the Town responsible for declaring the goods, materials, or equipment surplus to the Town's needs.
- Procurement of land is not covered by this purchasing policy.

DOCUMENTATION

All steps in the procurement process will be documented in writing. The Town is subject to Freedom of Information and Protection of Privacy legislation, therefore purchasing decisions will be subject to public scrutiny from time to time. It is critical that we not only follow our policy but are able to demonstrate compliance.

ROLES AND RESPONSIBILITIES

The Finance Department, under the direction of the CFO, is committed to build a robust purchasing system that enables the user department to implement its purchase plan.

Department Heads are responsible for ensuring the Purchasing Policy is followed within their areas of control. In addition, the user department is the expert in the goods and services it plans to purchase. As such, its role is also to establish and implement its purchasing budget (through the annual operating and capital budget plan), receive and evaluate supplied goods and service, and provide feedback on the purchasing policy.

Council is responsible for ensuring that the principles of this Policy are operationalized. Annually Council will review

and approve the 5 Year Financial Plan and the purchasing requirements of the Town, as required by the *Community Charter*.

RECOMMENDED METHODS OF PURCHASE

The nature of a purchase, as well as its dollar value, determines the procurement process and tools available. Appendix "A" attached hereto defines the authority of staff to approve the various purchasing thresholds, and outlines the recommended methods of purchase. Nothing in this policy restricts the discretion of responsible staff to require a written contract with a supplier whenever circumstances warrant.

Except where select bidding or sole sourcing is utilized in accordance with this Policy, purchases will be made using the following methods:

- Informal Quotes - for low dollar value or commodity type items employees will typically get quotes from multiple sources.
- Formal Quotes - where higher dollar value or non-routine items are required, employees will endeavor to get written quotes from a minimum of three suppliers
- Request for Quote (RFQ) - where the items required are over \$75,000 and are for specific known or identifiable products. A formal quote process including: providing a description of the products or services required, advertising of the opportunity, managing the responses, providing consolidation of the results, review and recommendation by the initiating department for award and the issuance of the PO is required.
- Request for Proposal (RFP) - where the items required are over \$75,000, and the Town requires the vendor to propose how to complete a product or service. A formal Proposal process including: providing an overview of the products or services required, advertising of the opportunity, managing the responses, providing consolidation of the results, establishing the evaluation criteria, review and recommendation by the initiating department for award, completing the contract and the issuance of the PO is required.
- Request for Tender (RFT) - where the items required are over \$75,000, and the Town requires the vendor to complete a product or service where the project specifications and result are known. A formal tendering process including: providing an overview of the products or services required, advertising of the opportunity, managing the responses, providing consolidation of the results, review and recommendation by the initiating department for award, completing the contract and the issuance of the PO is required.

Appendix A

Acquisition:	0-4,999	\$5,000 - 9,999	\$10,000 - 74,999	\$75,000- 250,000	\$250,000+
Authority	Approved Staff	Manager	DH	DH + CM & DOF	DH CM & DOF/ Council
Documents	Informal	Formal	Formal	RFP, RFQ, RFT	RFP, RFQ, RFT
Process	Discretionary	Competitive Bidding	Competitive Bidding	Competitive Bidding	Competitive Bidding
Commitment Documentation	Direct Coding & Signature	PO	PO	PO	PO

RFP = Request for Proposal

RFQ = Request for Quotation

RFT = Request for Tender

PO = Purchase Order

DH = Department Head

DOF = Director of Financial
Services (CFO)

CM = City Manager

Appendix B – Community Benefit Goals (up to 5% of total points)

Economy

- Demonstrate job creation within the local area, which is defined as the Cowichan Valley Regional District and the Regional District of Nanaimo.
- Contribute to a stronger local economy (buy local)
- Increase training and apprenticeship opportunities
- Provide work experience and employment opportunities for youth aged 15 to 24
- Ensure that a Living Wage for the local area is paid

Public Spaces

- Enhance community recreation, arts and/or culture infrastructure
- Improve and enhance public spaces
- Improve access to public spaces for people living with disabilities

Environment

- Demonstrate that work undertaken exceeds requirements for environmental standards